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EMERGENCY AGRICULTURAL CREDIT ACT OF 1983

MARCH 18 (legislative day, MARCH 14), 1983--Ordered to be printed

Mr. HELMS, from the Committee on Agriculture, Nutrition, and Forestry, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 24]

The Committee on Agriculture, Nutrition, and Forestry, to which was referred the bill (S. 24) to provide emergency credit assistance to farmers, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill, as amended, do pass.

SHORT EXPLANATION

S. 24, as amended by the Committee, will revise the farm loan programs of the Farmers Home Association (FmHA), as follows:

Loan deferrals

The bill will require the Secretary of Agriculture, during the period beginning on the date of enactment of the bill and ending September 30, 1983, to—(i) permit family farmers with economic emergency loans or farm loans under the Consolidated Farm and Rural Development Act, on request, to defer repayment of the loans, and (ii) forgo foreclosure on the loans, if the borrower can show, to the satisfaction of the Secretary, that he has followed good management practices, is temporarily unable to continue making payments on the loan due to circumstances beyond his control, and

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has a reasonable chance of repayment of the loan after the deferral.

The bill also will—

(1) require the Secretary, after a period of deferral ends, to make available to the borrower consolidation, rescheduling, or reamortization of the loan at an interest rate that is the lower of (a) the interest rate on the original loan or (b) the rate being charged by the Secretary for loans of the same type at the time of the consolidation, rescheduling, or reamortization;

(2) require the Secretary to promulgate regulations that provide—

(a) for notification of all FmHA farm borrowers of the deferral provisions and other loan servicing alternatives offered by the Secretary;

(b) clear procedures by which FmHA farm borrowers can petition the Secretary for relief under the deferral provisions and alternatives; and

(c) for appeal within the Department of Agriculture from decisions that deny such relief; and

(3) establish that, for any farm loan (other than a guaranteed loan) deferred, consolidated, rescheduled, or reamortized by the Secretary under authorities provided in the Consolidated Farm and Rural Development Act other than those contained in the bill, the interest rate for the remaining balance and term of the original loan will be the lower of (a) the rate of interest for the original loan or (b) the rate being charged by the Secretary for loans of the same type at the time of the deferral, consolidation, rescheduling, or reamortization.

Farm operating loans

The bill will—

(1) raise the loan limits for farm operating loans under the Consolidated Farm and Rural Development Act as follows—

(a) for insured loans, from $100,000 to $300,000; and

(b) for guaranteed loans, from $200,000 to $400,000;

(2) revise the provision of that Act authorizing the Secretary to consolidate or reschedule farm operating loans for payment over a period not to exceed 7 years following the date of consolidation or rescheduling, to stretch out—to 15 years—the maximum repayment period under a consolidation or rescheduling; and

(3) add $200,000,000 to the amount authorized for insured farm operating loans under that Act in fiscal year 1983, the additional funds to be reserved for new borrowers (farmers who have not received any operating credit from the Farmers Home Administration since September 30, 1981).

Limited resource borrowers

The bill will require that not less than 20 percent of the amounts authorized for insured farm ownership and operating loans under the Consolidated Farm and Rural Development Act in fiscal year 1983 be made available for the low-income, limited-resource program (under which borrowers who qualify for the program receive loans at a reduced rate of interest).

The bill also will require the Secretary to provide notification to all FmHA farm borrowers under that Act of the provisions of the low-income, limited-resource program and the procedures by which borrowers can apply for inclusion in the program.

Economic emergency loans

The bill will extend the discretionary economic emergency loan program for farmers to September 30, 1984, and authorize the making of $600,000,000 in economic emergency loans in fiscal year 1983 in addition to the loan guarantees provided for under the 1983 agriculture appropriations Act.

Committee Amendment

The Committee amendment to the bill strikes out all after the enacting clause and inserts a substitute, which includes the following changes in the text of the bill:

(1) With respect to section 2 of the bill, which would add new subsections (b) through (e) to section 331A of the Consolidated Farm and Rural Development Act, the Committee amendment—

(a) revises new subsection (b) of section 331A (which will permit a farmer to obtain a deferral of repayment on certain farm loans made by the Farmers Home Administration if he can show that he (i) has followed good management practices, (ii) is temporarily unable to continue making payments on the loan due to circumstances beyond his control, and (iii) has a reasonable chance of repayment of the loan after the deferral) by adding language specifying that the applicant for a deferral must show, to the satisfaction of the Secretary of Agriculture, that he meets the three criteria for a deferral;

(b) deletes a sentence from new subsection (b) that would have required the Secretary to waive the payment of interest accruing during the period of deferral provided for under subsection (b);

(c) revises new subsection (c) of section 331A (which will require the Secretary to make loan consolidation, rescheduling, or reamortization available to farmers who obtain loan deferrals under new subsection (b)) by changing the language relating to the rate of interest to be charged under the consolidated, rescheduled, or reamortized loan, as follows: Under the bill, as introduced, the rate of interest on the consolidated, rescheduled, or reamortized loan could not be in excess of the rate of interest on the original loan; under the Committee amendment, the interest rate on the consolidated, rescheduled, or reamortized loan would be the lower of (i) the interest rate on the original loan or (ii) the rate being charged by the Farmers Home Administration for loans of the same type at the time of the consolidation, rescheduling, or reamortization; and

(d) revises new subsection (e) of section 331A (which will establish the interest rates that can be charged for loans deferred, consolidated, rescheduled, or reamortized under authorities provided in the Consolidated Farm and Rural Development Act other than new subsections (b) and (c) of section 331A) as follows: Under the bill, as introduced, the interest

rate for the balance and term of the original loan could not be in excess of the rate of interest on the original loan; under the Committee amendment, the interest rate for the balance and term of the original loan would be the lower of (i) the interest rate on the original loan or (ii) the rate being charged by the Farmers Home Administration for loans of the same type at the time of the deferral, consolidation, rescheduling, or re-amortization.

(2) The Committee amendment revises a provision of section 3 of the bill relating to the farm operating loan program under the Consolidated Farm and Rural Development Act. Under section 3 of the bill, as introduced, the Act would have been amended to raise the loan limits for insured farm operating loans so that no insured loan could be made to a farmer that would cause the farmer's total outstanding farm operating loans under the Act to exceed $200,000 (under current law, the figure is $100,000). The Committee amendment increases the proposed new insured loan limit to $300,000.

(3) The Committee amendment also adds a new provision to section 3 of the bill. The provision added by the Committee amendment will revise the provision of the Consolidated Farm and Rural Development Act authorizing the Secretary to consolidate or reschedule farm operating loans for payment over a period not to exceed 7 years following the date of consolidation or rescheduling. Under the revision, the maximum repayment period under a consolidation or rescheduling would be stretched out from 7 to 15 years.

(4) The Committee amendment deletes a provision of section 4 of the bill that would require the Secretary of Agriculture to make loans under the economic emergency loan program for farmers. While the Committee amendment would extend the economic emergency loan program to September 30, 1984, the Secretary's authority to make loans under the program would remain, as under existing law, discretionary.

(5) The Committee amendment makes several technical and conforming changes in the text of the bill.

Background and Need for Legislation

For many farmers, the threat of foreclosure or forced liquidation is a serious and demoralizing aspect of the current recession in the agricultural economy. The credit assistance to be provided under the bill through the Farmers Home Administration is needed to help efficient farm operators, who are experiencing temporary financial hardship through no fault of their own, avoid foreclosure or forced liquidation.

LOAN DEFERRALS

Mandatory program

Under the bill, the Secretary of Agriculture will be required to grant deferrals of payment of principal and interest no farm loans for eligible Farmers Home Administration borrowers who qualify for deferral. The Secretary will also be required to forgo foreclosure of loans held by eligible farm borrowers.

The Secretary of Agriculture now has broad authority, under section 331A of the Consolidated Farm and Rural Development Act, to permit the deferral of principal and interest, and forgo foreclosure, on farm loans made by the Farmers Home Administration. Due to the difficulties experienced by farm borrowers over the past several years, the Secretary has used this authority on a case-by-case basis. The discretionary deferral program has enabled the Farmers Home Administration to continue the loans of many hard-pressed farm borrowers.

Nonetheless, with the worsening of the farm situation in 1982, the Farmers Home Administration experienced a sharp increase in the number of farm borrowers who have had to liquidate their farming operations either through loan foreclosure, voluntary liquidation, or bankruptcy. During fiscal year 1982, about 8,000 of the agency's approximately 256,000 farm borrowers liquidated their farming operations.

Of immediate concern are those farmers who might similarly be forced into foreclosure or liquidation in 1983. The problems our agricultural community is experiencing because of low commodity prices and high interest rates have contributed to a high delinquency rate among Farmers Home Administration borrowers. At the end of 1982, 24 percent of all Farmers Home Administration farm loans were delinquent. This translate into approximately 65,000 FmHA farm borrowers who did not make timely or complete 1982 payments on their loans. (The Farmers Home Administration defines "delinquent borrower" as a borrower who is at least $10 short or 15 days late in making payments on his loan.)

The FmHA loan deferral program must be expanded to protect farmers who, through no fault of their own, are not able to make their payments on FmHA farm loans. Therefore, the Committee bill provides that, under certain specific circumstances, the Secretary will be required, for the remainder of this fiscal year, to permit qualified farmers to obtain loan deferrals and to forgo foreclosure on certain delinquent loans.

Qualification criteria

The bill will ensure that the mandatory deferral program will apply only to qualified FmHA farm borrowers, through the use of fair and equitable eligibility criteria.

The Farmers Home Administration is being sued in 22 district courts and in numerous bankruptcy proceedings on its current loan servicing policies. This litigation may have resulted because, to many borrowers, present Farmers Home Administration foreclosure policy is not clear, is too subjective, and is open to inspection by agency employees at the county level. Any existing confusion or appearance of inequity could be eliminated by defining, in law, the principles that will be used to grant deferrals.

The bill establishes specific eligibility criteria for the granting of deferrals of the payment of principal and interest and the foregoing of foreclosure. The borrower must be the owner or operator of a family-size farm and show, to the satisfaction of the Secretary, that the borrower (1) has exercised good management practices, (2) due to circumstances beyond the borrower's control, is temporarily unable to continue making payments on the principal and interest

of the loan when due, and (3) has a reasonable chance of repayment of the loan after the deferral of principal and interest and foregoing of foreclosure.

The Committee's intent is that the Secretary grant deferrals based on each borrower's individual circumstances. In each case, the borrower would submit information to show that he meets the eligibility requirements. Determination of eligibility will rest solely with the Secretary.

Program scope

Under the bill, the Secretary will be required to implement the deferral program from the date of enactment of the bill until September 30, 1983. The duration of each deferral that is granted will be determined by the Secretary. Because, for most loans, loan installment payments are due on a yearly basis, a reasonable deferral period would extend to the time the next annual payment is due. After the mandatory deferral provision of the bill expires on September 30, 1983, the Secretary will continue to have discretionary authority to grant deferrals under section 331A(a) of the Consolidated Farm and Rural Development Act, as amended by the bill.

Further assistance would be granted to the borrower after the deferral by making available procedures to consolidate, reschedule, or reamortize the loan, taking into account the borrower's financial situation. Any new loan resulting from such action would be required to bear an interest rate that is the lower of (i) the rate of interest on the original loan or (ii) the rate of interest then currently being charged by the Farmers Home Administration for similar loans.

INTEREST RATES ON OTHER CONSOLIDATED, RESCHEDULES, AND REAMORTIZED LOANS

Under the bill, the Secretary will be required to adjust interest rates, in a similar manner as described above for deferred loans, on FmHA farm loans to borrowers who obtain deferral, consolidation, rescheduling, or reamortization of their loans under authorities other than those provided in the bill. The interest rate that is the lower of the original or the then-current rate of interest.

Deferral, consolidation, rescheduling, and reamortizing of loans are useful loan servicing tools. However, under current Farmers Home Administration procedures, these tools have been rendered ineffective for borrowers with low interest loans who are behind in their payments. The agency requires such borrowers to reschedule, consolidate, or reamortize their loans at current interest rates, even if those rates are significantly higher. Such a practice puts borrowers further into debt or encourages them to remain delinquent.

The Committee believes that borrowers should be assisted through the use of sound loan servicing techniques and not be penalized for trying to keep their loan payments current. Administration officials stated last year that the Department of Agriculture proposed to revise its regulations to incorporate a policy on interest rate adjustments similar to that of the bill.

ECONOMIC EMERGENCY LOAN PROGRAM

Background

The economic emergency loan program, administered by the Farmers Home Administration, is authorized by the Emergency Agricultural Credit Adjustment Act of 1978. The Act authorizes, but does not require, the Secretary of Agriculture to provide credit assistance to farmers and ranchers in economic emergency situations.

Loans under the program can be used to finance essential farm and home operating expenses, as well as for refinancing indebtedness. Other uses for loan funds include reorganizing farm operations, purchasing supplies, and financing essential land and water development and use.

Under the economic emergency loan program, the Secretary can make an insured or guaranteed loan to a loan applicant if the Secretary determines that the applicant cannot obtain credit from other sources due to economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities.

Insured economic emergency loans bear an interest rate that reflects the Government's cost of borrowing.

Economic emergency loans were authorized in 1978 because of the tight credit situation then affecting a large number of farmers. The program was established to enable farmers and ranchers to continue their operations during that period of economic hardship.

The initial authorization for the program was to expire May 15, 1980. However, because the economic stresses that led to enactment of the 1978 legislation had not abated, Congress, in March 1980, extended the program to September 30, 1981 (Public Law 96-220, 94 Stat. 130). With the extension, the Department of Agriculture made a number of additional economic emergency loans under the program.

Congress provided a second extension of the program, until September 30, 1982, in the Agriculture and Food Act of 1981 (Public Law 97-98, 95 Stat. 1346). The 1981 legislation also revised the Act to specify that the Secretary of Agriculture could not make more than $600,000,000 in loans under the program in any fiscal year. The Secretary chose not to use his discretionary authority, under the second extension, to implement the economic emergency loan program during fiscal year 1982.

Most recently, the agriculture appropriations Act for fiscal year 1983, enacted in December 1982 (Public Law 97-370, 96 Stat. 1799), authorizes the Secretary to implement a $600,000,000 economic emergency loan guarantee program in fiscal year 1983. However, this legislation does not permit the Secretary to make direct loans under the economic emergency insured loan program. To date, the Administration has not implemented the loan guarantee program under the appropriations legislation.

Extension needed

Since the authority for the insured economic emergency loan program was last extended in 1981, the conditions of the agricultural economy have worsened. Commodity prices and farm income

have fallen and agricultural credit has become more difficult to obtain.

The adverse credit situation could seriously affect many farmers who are refused credit by their traditional commercial or cooperative lenders. These farmers might have difficulty obtaining operating loans from the Farmers Home Administration because the Farmers Home Administration is following a policy of lending principally to current borrowers.

Therefore, the Secretary of Agriculture should have the discretionary authority to reopen the economic emergency loan program to assist farmers through this difficult period. The bill meets this need by extending—to the end of fiscal year 1984—the Secretary's authority to operate an economic emergency loan program.

Under the bill, it will be the sole responsibility of the Secretary to determine if conditions warrant the use of the economic emergency loan program. The Secretary should consider, in making this determination, the general availability of credit to agricultural borrowers, the rates of interest associated with this credit, and any other factors the Secretary deems appropriate.

INCREASED LOAN LIMIT FOR FARM OPERATING LOANS

The bill will increase the maximum amount that any person may borrow under the farm operating loan program as follows: for insured loans, from $100,000 to $300,000, and for guaranteed loans, from $200,000 to $400,000.

The current limits on loans were established in 1978. An upward adjustment in the limit is necessary to address increases in farm operating expenses, due to inflation and other causes, that have occurred since 1978.

The increases in the loan limits will better enable the Farmers Home Administration to meet the operating credit needs of FmHA borrowers.

CONSOLIDATION AND RESCHEDULING OF OPERATING LOANS

The bill will authorize a repayment period of not more than 15 years on farm operating loans consolidated or rescheduled under the Consolidated Farm and Rural Development Act. Current law limits the repayment period on such consolidated or rescheduled loans to not more than 7 years.

This "stretch out" of the repayment period will provide the Farmers Home Administration with greater flexibility to assist borrowers unable to meet scheduled payments. The longer repayment period could be used in situations where such is necessary for the borrower to avoid default.

OPERATING LOAN FUNDS

The bill will make $200,000,000 in additional farm operating loan funds available in fiscal year 1983 for family farmers who are refused credit by their traditional lenders.

Under current law, the Farmers Home Administration has $1,460,000,000 in farm operating loan funds available in fiscal year 1983 for family farmers who are unable to obtain credit elsewhere.

The interest rate generally is set at the Federal cost of borrowing, although persons who qualify as low-income, limited-resource borrowers receive farm operating loans at a rate that is three percent below the cost of Federal borrowing. Of the available operating loan funds, 20 percent are allocated for low-income, limited-resource borrowers.

Additional farm operating loan funds are needed because of the potentially large number of farmers who, in 1983, will be seeking Farmers Home Administration farm operating loans for the first time. The bill will assist these farmers and enable the Farmers Home Administration to fulfill its role as the lender of last resort for family farmers.

LOW-INCOME, LIMITED-RESOURCE BORROWERS

Under the low-income, limited-resource borrower program, farmers who qualify receive loans at a beneficial rate of interest.

The Committee notes that the Farmers Home Administration did not fully use its authority to make loans to low-income, limited-resource borrowers during fiscal year 1982. The Consolidated Farm and Rural Development Act provided that the Secretary use 20 percent of the farm operating and farm ownership loan funds for low-income, limited-resource borrowers in fiscal year 1982. Yet, even with difficult economic conditions and high interest rates in 1982, at the end of the fiscal year, the Farmers Home Administration had over $121,000,000 in unspent farm operating loan funds that had been designated for these borrowers. Only 10.8 percent of the total operating loan funds were obligated to these borrowers in 1982.

To ensure that the Farmers Home Administration fully uses the authority Congress has provided for making assistance available to low-income, limited-resource borrowers, the bill will establish a requirement that not less than 20 percent of the amounts authorized for insured farm ownership and farm operating loans under the Consolidated Farm and Rural Development Act in fiscal year 1983 be made available for the low-income, limited-resource borrower program.

To facilitate full use of the low-income, limited-resource borrower program, the bill also will require the Secretary of Agriculture to provide notification to all farm borrowers of the provisions of the low-income, limited-resource borrower program and the procedures by which persons may apply for loans under the program.

COMMITTEE CONSIDERATION

The Committee met on March 3, 1983, to consider agricultural export legislation. Senator Huddleston requested consideration of an amendment to provide emergency credit assistance to farmers. The amendment embodied, with certain changes, the language of S. 24, which Senator Huddleston introduced on January 26, 1983. The bill has 23 cosponsors. The amendment included certain provisions of S. 130, which was introduced by Senator Cochran on January 26, 1983.

Senator Hawkins suggested that consideration of the amendment be delayed until the Subcommittee on Agricultural Credit and

Rural Electrification holds previously-scheduled hearings on credit issues. Senator Hawkins indicated that, due to the complex nature of the issues involved, the Committee would benefit from receiving the testimony of interested witnesses before consideration of the legislation. Chairman Helms concurred with Senator Hawkins.

Senator Huddleston and several other members of the Committee stated that immediate consideration of the amendment was in order because of the pressing nature of the Nation's agricultural credit problems. Senator Hud- dleston also pointed out that the Committee approved similar legislation with respect to deferrals and economic emergency loans during the last Congress. Senator Huddleston stated that agricultural economic conditions had grown more critical in recent months. Senator Boren pointed out that the legislation's deferral provision would put into law the Administration's present policy on foreclosures.

Charles W. S nan, Administrator of the Farmers Home Administration, speaking for the Administration, stated that due to possible costs involved with the implementation of the amendment, the Administration could not support all of its provisions. However, Senator Huddleston pointed out that the Administration's objection was based on an earlier proposal. Senator Huddleston indicated that modifications were included in S. 24 specifically to address concerns of the Administration.

Chairman Helms suggested that the amendment be separated from the agricultural export bill.

After some discussion, Senator Huddleston agreed to offer his proposal as an amendment to S. 24. Chairman Helms agreed to work with Senator Huddleston to obtain early consideration of the legislation by the Senate.

By voice vote, the Committee agreed to report S. 24, as amended, favorably to the Senate.

Section-by-Section Analysis

Short title

The first section of the bill provides that the bill may be cited as the "Emergency Agricultural Credit Act of 1983".

Loan deferrals

Section 2 of the bill will amend section 331A of the Consolidated Farm and Rural Development Act, which, as presently written, authorizes the Secretary of Agriculture to (1) defer the repayment of principal and interest on any outstanding loan made under the Act or under the provisions of any other law administered by the Farmers Home Administration, and (2) forego foreclosure of any such loan, for such period as the Secretary deems necessary, on a showing by the borrower that (due to circumstances beyond the borrower's control) the borrower is temporarily unable to make the payments when due without unduly impairing the borrower's standard of living.

Section 2 will designate the current provisions of section 331A as subsection (a) and add new subsections (b), (c), (d), and (e). Section 2 also will change a reference in the second sentence of the redesig-

nated subsection (a) from a reference to the whole section to a reference only to the redesignated subsection (a).

New subsection (b) will require the Secretary, during the period beginning on the date of enaactment of the bill and ending September 30, 1983, to (1) permit eligible borrowers, at the borrower's request, to obtain deferrals of repayment of principal and interest on certain outstanding insured farm loans, and (2) forego foreclosure of such loans during the deferral period. Loans that would be eligible for deferral and foregoing of foreclosure are: farm ownership loans, farm operating loans, and emergency loans made under the Consolidated Farm and Rural Development Act and economic emergency loans under the Emergency Agricultural Credit Adjustment Act of 1978. A borrower could qualify for deferral and foregoing of foreclsoure if the borrower owns or operates not larger than a family-size farm and can show, to the satisfaction of the Secretary, that the borrower—

(1) has followed good management practices;

(2) due to circumstances beyond the borrower's control, is temporarily unable to continue making payments on the loan; and

(3) has a reasonable chance of repaying the loan after the period of deferral and foregoing of foreclosure ends.

The county committees established under the Act would determine whether a borrower seeking assistance under new subsection (b) owns or operates a family-size farm.

New subsection (b) does not specify how long a period of deferral could run.

New Subsection (c) will impose further requirements on the Secretary, with respect to borrowers who receive assistance under new subsection (b), after the period of deferral of payment of principal and interest on the loan and foregoing of foreclosure ends. The Secretary would be required to make available to any such borrower, at the borrower's request, procedures whereby the loan can be consolidated, rescheduled, or reamortized to provide equitable repayment terms consistent with the borrower's farm and financial situation. New subsection (c) also provides that a consolidated, rescheduled, or reamortized loan will bear interest at a rate that is the lower of (1) the rate of interest on the original loan or (2) the rate being charged by the Secretary for loans of the same type at the time of the consolidation, rescheduling, or reamortization.

New subsection (d) will require the Secretary to promulgate regulations relating to loan deferrals that provide—

(1) for notification of all Farmers Home Administration farm borrowers of the provisions of section 331A, as amended by the bill, and all other servicing alternatives offered by the Secretary;

(2) clear procedures by which borrowers can petition the Secretary for relief under section 331A, as amended by the bill, or the other servicing alternatives offered by the Secretary; and

(3) for appeal within the Department of Agriculture from decisions that deny relief under section 331A, as amended by the bill, or the other servicing alternatives offered by the Secretary.

New subsection (e) provides that any insured farm loan deferred, consolidated, rescheduled, or reamortized under any authority of the Secretary under the Act (other than the authority conferred on the Secretary under new subsections (b) and (c)) will, notwithstanding any other provision of the Act, bear interest, on the balance and for the term of the original loan, at a rate that is the lower of (1) the rate of interest on the original loan or (2) the rate being charged by the Secretary for loans of the same type at the time of the deferral, consolidation, rescheduling, or reamortization.

Operating loan program; limited-resource borrowers

Section 3(a) of the bill will amend section 313 of the Consolidated Farm and Rural Development Act, which places limits on the making of farm operating and other loans under subtitle B of the Act. The amendment will revise the monetary limits on loans under subtitle B, as follows:

(1) no insured loan could be made to a person that would cause the person's total outstanding loans under subtitle B to exceed $300,000 (under current law, the figure is $100,000); and

(2) no guaranteed loan could be made to a person that would cause the person's total outstanding loans under subtitle B to exceed $400,000 (under current law, the figure is $200,000).

Section 3(b) of the bill will amend section 316(b) of the Consolidated Farm and Rural Development Act, which authorizes the Secretary of Agriculture to consolidate or reschedule farm operating and other loans under subtitle B of the Act. As presently written, section 316(b) authorizes the Secretary to consolidate or reschedule subtitle B loans for payment over a period not to exceed 7 years from the date of consolidation or rescheduling. Section 3(b) will stretch out—from 7 to 15 years—the maximum repayment period under a consolidation or rescheduling.

Section 3(b) of the bill also will amend the fifth sentence of section 361(b), which provides that the interest rate for insured subtitle B loans that are consolidated or rescheduled can be changed by the Secretary from the rate established for the original loan to a rate not to exceed the rate being charged for subtitle B loans at the time of consolidation or rescheduling. The amendment will add language to the fifth sentence providing that the fifth sentence will not apply to farm loans consolidated or rescheduled under new section 331A(e). This amendment is a technical provision that will conform the fifth sentence of section 316(b) to new section 331A(e), to be added to the Act by section 2 of the bill.

Section 3(c) of the bill will add new subsections (e) and (f) to section 346 of the Consolidated Farm and Rural Development Act, which authorizes the levels of the loan programs under the Act.

New subsection (e) will authorize the Secretary of Agriculture to make $1,660,000,000 in insured farm operating loans in fiscal year 1983, and earmark $200,000,000 of that amount for new borrowers. New subsection (e) defines the phrase "new borrowers", as used therein, to mean agricultural producers, eligible for farm operating loans under subtitle B of the Consolidated Farm and Rual Development Act, who did not receive any farm operating credit from the Farmers Home Administration during fiscal year 1982 or that part of fiscal year 1983 ending on the date of enactment of the bill.

(NOTE.—The agriculture appropriations Act for fiscal year 1983 (Public Law 97-370, 96 Stat. 1799), enacted on December 18, 1982, authorizes the Secretary to make $1,460,000,000 in insured farm operating loans in fiscal year 1983. Thus, the effect of the new subsection (e) of section 346 will be to add $200,000,000 to the 1983 insured farm operating loan progam for loans to new borrowers.)

New subsection (f) will require that not less than 20 percent of the amounts authorized for insured farm ownership loans and farm operating loans under the Act in fiscal year 1983 be earmarked for the low-income, limited-resource program under which borrowers who qualify for the program receive loans at a reduced rate of interest.

(NOTE.—The 1983 agriculture appropriations Act authorizes, but does not require, the use of 20 percent of the loan funds for the low-income, limited-resource program.)

New subsection (f) also will require the Secretary, as soon as practicable after enactment of the bill, to provide notification to all farm borrowers under the Act of the provisions of the low-income, limited-resource program and the procedures by which persons can apply for loans under the program.

Economic emergency loan program

Section 4 of the bill will amend the Emergency Agricultural Credit Adjustment Act of 1978, which authorizes the Secretary of Agriculture to make farm loans to qualified farmers and ranchers who cannot get credit elsewhere due to economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities. The program established under the 1978 Act is known as the economic emergency loan program.

Specifically, section 4 will amend section 211 of the 1978 Act, which terminates the authority of the Secretary to make new loans under the economic emergency loan program, effective September 30, 1982. Under the amendment to section 211, the authority to make new loans under the program will be extended to September 30, 1984.

As presently written, section 211 of the 1978 Act also provides that the maximum amount of loans that can be insured or guaranteed under the economic emergency loan program during any fiscal year is $600,000,000. Section 4 of the bill will amend section 211 of the 1978 Act to provide an exception to this limitation for fiscal year 1983. The exception is that, in fiscal year 1983, the $600,000,000 authorized will be in addition to loan guarantees provided for under the agriculture appropriations Act for fiscal year 1983 (Public Law 97-370, 96 Stat. 1799), enacted December 18, 1982. The agriculture appropriations Act authorizes the Secretary to provide up to $600,000,000 in loan guarantees under the economic emergency loan program in fiscal year 1983. However, it does not authorize the making of any insured economic emergency loans. The effect of this amendment to section 211 will be to enable the Secretary to make insured loans, as well as loan guarantees, under the economic emergency loan program in fiscal year 1983.

ADMINISTRATION VIEWS

Secretary of Agriculture John R. Block commented on S. 24, as amended by the Committee, in a letter to Senator Helms dated March 14, 1983. The letter reads as follows:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., March 14, 1983.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I would like to take this opportunity to comment on the Emergency Agricultural Credit Act of 1983 (S. 24).

The Administration has consistently opposed and continues to oppose strenuously any legislation that contains provisions similar to the following sections of S. 24:

Sec. (a) which provides for a deferral/moratorium on loan repayments and foreclosures in the farmer programs of the Farmers Home Administration.

Sec. (d) which provides for reauthorization of the Economic Emergency lending programs.

The precedent set and potential damage done to the good credit standing of our agricultural industry by the imposition of mandatory deferral/moratorium legislation coupled with the budget impact and administrative burden of the aforementioned sections leave us no choice but to strongly oppose their inclusion in this bill.

Sincerely,

JOHN R. BLOCK, *Secretary.*

COST ESTIMATE

I.

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of Senate, the Committee has estimated the cost of carrying out the provisions of the bill for fiscal years 1983 through 1987. Generally, the Committee agree with the cost estimate prepared by the Congressional Budget Office. However, the Committee recognizes that it is difficult to predict with any degree of accuracy the potential participation in the mandatory deferral program established by the bill. In view of that, depending on what assumptions are made, the cost estimate prepared by the Congressional Budget Office could be either high or low.

The Congressional Budget Office cost estimate relating to the deferral provision of the bill is based on the assumption that loan deferrals would be granted on 40 percent of the outstanding Farmers Home Adminstration farm loans.

If only FmHA farm borrowers who are delinquent and who are faced with imminent foreclosure receive deferral of loans under this provision, the number of deferrals would be substantially less than 40 percent of all outstanding FmHA farm loans. On the other hand, the Department of Agriculture informally estimates that the minimum rate of participation by FmHA borrowers in a dererral program would be 55 percent. Based on that level, the Department

estimates that substantial borrowing from the Treasury would be necessary to cover lost receipts to the Agricultural Credit Insurance Fund.

II.

In accordance with the Congressional Budget Act of 1974, the Congressional Budget Office prepared the following cost estimate:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., March 11, 1983.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Russell Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for S. 24, the Emergency Agricultural Credit Act of 1983.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

JAMES BLUM
(For Alice M. Rivlin, Director.)

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: S. 24.

2. Bill title: The Emergency Agricultural Credit Act of 1983.

3. Bill status: As ordered reported by the Senate Committee on Agriculture, Nutrition and Forestry, March 3, 1983.

4. Bill purpose: This bill requires the Secretary of Agriculture to defer principal and interest on Agriculture Credit Insurance Fund (ACIF) loans to borrowers who apply during fiscal year 1983 and meet certain requirements. For borrowers who receive such deferrals, the Secretary must refinance their original loans at interest rates no greater than that on the original loan. The bill increases the level of outstanding debt any borrower may have. The bill also increases the level of Farmers Home Administration (FmHA) farm operating loans by $200 million in 1983 extends the discretionary authority to make economic emergency loans through fiscal year 1984, authorizing $600 million in direct loans in addition to the $600 million in guaranteed loans already provided for this purpose.

5. Estimated cost to the Federal Government: The estimated impact of this bill on the unified budget of the federal government is summarized in the following table:

[By fiscal years, in millions of dollars]

	1983	1984	1985	1986	1987	1988
Loan deferral:						
Estimated budget authority	1,100	1,500				
Estimated outlays	1,100	1,500				
Farm operating loans:						
Estimated budget authority	51	−49	1	1	1	1
Estimated oulays	51	−49	1	1	1	1

	1983	1984	1985	1986	1987	1988
FmHA salaries and expenses:						
Estimated authorization level	35	.....				
Estimated outlays	30	5	.....			
Total-unified budget:						
Estimated budget authority/authorization	1,186	1,145	1	1	1	1
Estimated outlays	1,181	1,456	1	1	1	1

The above table does not include the repayments of the $2.6 billion deferred in 1983 and 1984, which the Secretary has broad discretion to refinance. Most of such deferred payments would presumably be recovered in subsequent years, with interest.

Because ACIF loans are sold to the off-budget Federal Financing Bank (FFB) in the form of certificates of beneficial ownership, some of the outlays from this bill will appear off-budget, as shown below.

[By fiscal years, in millions of dollars]

	1983	1984	1985	1986	1987	1988
Off-budget (FFB):						
Estimated budget authority	150	50	.....			
Estimated outlays	150	50	.....			

The costs of this bill fall within budget function 350, except for the FmHA salaries and expenses, which are in function 450.

Basic of estimate: It is difficult to precisely estimate the budget impact of the deferral provision. The criteria for granting deferrals are very broad and even on a case-by-case basis, it is difficult to determine which applications will finally be accepted. Litigation could result in those cases where the Secretary of Agriculture decides that a borrower is not eligible for a deferral. CBO assumes that an additional 40 percent of all borrowers will receive deferrals for one year or seek them in court, denying ACIF the payment of principal and interest on 40 percent of total outstanding loans, with lost receipts estimated to be $2.6 billion. Assuming enactment of this bill by May 1, 1983, about $1.1 billion of this amount would be lost in fiscal year 1983, and the remainder in 1984. The administrative costs to review applications and reschedule payments for the deferrals are based on an estimated 1,500 additional staff years, assuming suitable personnel could be hired and trained, and would result in outlays of about $35 million. All these costs could be correspondingly larger or smaller, depending on the actual amount of outstanding borrowing approved for deferral. In the long-term, the deferred loans are to be repaid with interest, though there is no basis for projecting the repayment schedule. Assuming such repayments, with interest, the major costs of the deferral are the administrative expenses.

The bill requires farm operating loans to be increased $200 million to $1,660 million in 1983. Twenty percent of this increase is reserved for low-income borrowers who receive an interest subsidy of 3 percent below the government cost of borrowing. Seventy-five percent of the loan assets are assumed to be sold to the Federal Financing Bank (FFB) in the year they are made, offsetting the loan

outlays with a collection from the FFB. The remaining 25 percent is sold the following year. No budget impact is estimated from the extension of economic emergency loan authority because the program is discretionary and loans are not currently made by the Administration.

6. Estimated cost to State and local governments: None.
7. Estimate comparison: None.
8. Previous CBO estimate: None.
9. Estimate prepared by: Chip Conley.
10. Estimate approved by: G. C. Nuckols.

JAMES L. BLUM,
Assistant Director for Budget Analysis.

REGULATORY IMPACT EVALUATION

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact that would be incurred in carrying out S. 24, as amended by the Committee.

NUMBER OF INDIVIDUALS AND BUSINESSES AFFECTED

The bill is not a regulatory measure in the sense of imposing Government standards or significant economic or regulatory responsibilities on the private sector. The farm loan programs that would be affected by the bill provide funds in the form of insured or guaranteed loans that would not otherwise be available for farm and ranch operations.

Because the assistance authorized under these programs is provided in the form of loans, individual applicants must meet certain eligibility requirements and must submit personal financial information. The same kind of information would be required from those borrowers who seek a deferral or foregoing of foreclosure of a loan. These loan programs are voluntary and the information required of applicants and borrowers is the same kind of information that is required by commercial banks of their loan applicants and borrowers.

S. 24 would require the Secretary of Agriculture, during the period beginning on the date of enactment of the bill and ending September 30, 1983, to permit family farmers with economic emergency loans or farm loans under the Consolidated Farm and Rural Development Act, on request, to defer repayment of the loans, if the borrower can show to the satisfaction of the Secretary that he has followed good management practices, is temporarily unable to continue making payments on the loan due to circumtances beyond his control, and has a reasonable chance of repayment of the loan after the deferral.

As of September 30, 1982, there were 256,470 borrowers participating in the farm loan programs of the Farmers Home Administration. The outstanding loans held by these borrowers amounted to $24.2 billion. Twenty-four percent (61,552) of these borrowers were delinquent in making payments on the loans.

The bill would raise the loan limits for insured farm operating loans from $100,000 to $300,000 and from $200,000 to $400,000 for guaranteed farm operating loans. Also, the authorization level for

insured operating loans in fiscal year 1983 would be raised from $1.46 billion to $1.66 billion, with the additional $200 million reserved for new borrowers.

As of September 30, 1982, there were approximately 103,000 borrowers under the farm operating loan program. The Department of Agriculture estimates that the average farm operating loan is for $31,000. Estimates are not available for the number of borrowers who are operating at the present statutory limits. Raising the present ceiling would, however, allow larger loans and the size of the average operating loan could be expected to increase.

The bill would extend the economic emergency loan program for farmers to September 30, 1984, and would authorize the making of $600 million of insured economic emergency loans in fiscal year 1983, in addition to the loan guarantees provided by the 1983 agriculture appropriations Act.

In fiscal year 1982, no new loans were made in the economic emergency loan program. As of September 30, 1982, there were 65,614 borrowers with loans outstanding under this program and some $4.6 billion in loan obligations outstanding. It is impossible to estimate how many applicants may apply for loans under the program in fiscal years 1983 and 1984.

The bill would require that not less than 20 percent of the amounts authorized for insured farm ownership and farm operating loans in fiscal year 1983 be made available for low-income, limited-resource borrowers. The bill also requires the Secretary to notify all farm borrowers of the provisions relating to low-income, limited-resource farmers and the procedures for applying for such loans. As this provision reflects the present policy of the Department, enactment would have no effect on current program administration.

ECONOMIC IMPACT

The economic impact of the bill would be largely determined by the number of borrowers who qualify under regulations promulgated by the Secretary. Because of the complexity of economic relationships in the U.S. economy, quantification of the economic impact of the bill is not possible.

PERSONAL PRIVACY IMPACT

The proposed legislation would have little additional impact on personal privacy since the programs, as they presently exist, generally require the same information in applications as would be required under the bill.

PAPERWORK IMPACT

The additional bookkeeping and paperwork costs for borrowers would not be significant, over those already required in existing programs.

ADDITIONAL VIEWS OF SENATORS COCHRAN AND HUDDLESTON

I.

S. 24, as reported by the Committee, is legislation of vital importance to the Nation's hard-pressed farmers. The bill will adjust Federal credit programs to prevent foreclosures against efficient farmers who are being adversely affected by the current slump in the agricultural economy and experiencing temporary financial hardship through no fault of their own. Early enactment of this legislation is a high priority for Congress.

It is important, therefore, that there be no confusion about what the bill does and what its effect will be. In this regard, some concerns have been expressed about the cost of the bill, especially with the respect to the provisions of the bill relating to loan deferrals.

II.

The bill provides for deferral of payments on farm loans for Farmers Home Administration borrowers faced with foreclosure. It is expected that, under the deferral program, eligible borrowers will be granted a deferral of at least 1 year.

The Congressional Budget Office cost estimate relating to the deferral provisions of the bill assumes that the deferral provision will apply to 40 percent of the outstanding Farmers Home Administration farm loans. Other estimates have assumed even higher deferral percentages.

However, the bill will specifically require applicants for deferral to show, to the satisfaction of the Secretary, that they are unable to make payment on their loans when due because of circumstances beyond their control. In other words, the deferral provisions of the bill are designed to provide relief to those FmHA farm borrowers who are delinquent on their loans and faced with imminent foreclosure.

The number of delinquent borrowers facing imminent foreclosure accounts for far less than 40 percent of the outstanding farm loans. At the end of the December 1982, 24 percent of the Farmers Home Administration farm loan borrowers, accounting for only 11 percent (or $2.69 billion) in outstanding loans, were delinquent.

Assuming a similar delinquency rate during 1983, even if every farm borrower who is delinquent is given a deferral, the deferral program would involve substantially less than the 40 percent of loans that is the basis for the Congressional Budget Office estimate.

Further, the Farmers Home Administration does not consider every borrower who is delinquent as faced with imminent foreclosure. This is particularly true because the Farmers Home Adminis-

tration considers a borrower delinquent if he is 15 days late or $10 short on his payment.

Because the bill, to a large degree, will only incorporate into statutory law what the Farmers home Administration states is its present deferral policy under FmHA regulations, the number of additional deferrals resulting from enactment of the bill should not be large.

It is clear, then, that the most accurate assumption about participation in the deferral program under the bill should be that far less than 40 percent of all Farmers Home Administration farm borrowers will be in the program.

III.

Another source of the confusion that has arisen about the cost of the bill is the fact that the Congressional Budget Office's tabular presentation of the estimated cost of S. 24 does not completely reflect the fiscal effect of the bill.

The tabular presentation does not inlcude the repayments of loan payments deferred in 1983 and 1984. As the Congressional Budget Office itself notes in its cost estimate, "most of such deferred payments would presumably be recovered in subsequent years, with interest."

We must recognize, then, that, under the bill's deferral program, interest and principal payments on loans will only be deferred, not forgiven; the deferral payments will ultimately be recovered in subsequent years, with interest; and, based on these facts, notwithstanding the figures listed on the CBO cost table, and regardless of assumptions as to the number of farmers participating, the major costs of the deferrals under the bill will be administrative costs, which are estimated by the Congressional Budget Office to be about $35 million in fiscal year 1983.

THAD COCHRAN.
WALTER D. HUDDLESTON.

ADDITIONAL VIEWS OF SENATOR PAULA HAWKINS

As Chairman of the Subcommittee on Agricultural Credit and Rural Electrification, I want to express my concern over the action of the Committee in reporting this measure.

First and foremost, this legislation is inequitable. It provides, at the request of the borrowers, obligatory rescheduling by the Farmers Home Administration of ownership and operating loans. This measure is unfair to the great majority of America's farmers, some 89 percent, who do not have the opportunity to escape their financial obligations.

I am not alone in feeling this bill is unfair. Major farm groups are on record as opposing this bill. The American Farm Bureau Federation, the National Grange, the National Cotton Council, and the Agricultural Credit Division of the American Bankers Association all testified in opposition to this measure less than a year ago.

No one recognizes more clearly than I the difficult economic circumstances facing American farmers. Farm credit, is, however, a complex matter. National policy should be considered through a complete hearing process. Only then should a Committee report such sweeping legislation. The procedure used in reporting this bill falls far short of that goal.

In light of these facts, it is my strong desire that the Senate not consider this measure until the hearing process has been completed.

PAULA HAWKINS.

CHANGES IN EXISTING LAW

In compliance with paragraph 12, of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown is roman):

AN ACT To improve and protect farm prices and farm income, to increase farmer participation in the development of farm programs, to adjust supplies of agricultural commodities in line with the requirements therefor, to improve distribution and expand exports of agricultural commodities, to liberalize and extend farm credit services, to protect the interest of consumers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1961".

* * * * * * *

TITLE III—AGRICULTURAL CREDIT

SEC. 301. (a) This title may be cited as the "Consolidated Farm and Rural Development Act."

(b) The Congress hereby finds that the statutory authority of the Secretary of Agriculture, hereinafter referred to in this title as the "Secretary," for making and insuring loans to farmers and ranchers should be revised and consolidated to provide for more effective credit services to farmers.

* * * * * * *

SUBTITLE B—OPERATING LOANS

* * * * * * *

SEC. 313. The Secretary shall make or insure no loan under this subtitle (1) that would cause the total principal indebtedness outstanding at any one time for loans made under this subtitle to any one borrower to exceed, in the case of a loan other than a loan guaranteed by the Secretary, [$100,000, or, in the case of a loan guaranteed by the Secretary, $200,000] *$300,000, or, in the case of a loan guaranteed by the Secretary, $400,000*; or (2) for the purchasing or leasing of land other than for cash rent, or for carrying on any land leasing or land purchasing program.

* * * * * * *

SEC. 316. (a)(1) The Secretary shall make all loans under this subtitle upon the full personal liability of the borrower and upon such security as the Secretary may prescribe. The interest rates on such loans, except for guaranteed loans and loans as provided in paragraphs (2) and (3), shall be as determined by the Secretary, but not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus an additional charge not to exceed 1 per centum as determined by the Secretary, which charge shall be deposited in the Rural Development Insurance Fund or the Agricultural Credit Insurance Fund, as appropriate, and adjusted to the nearest one-eighth of 1 per centum. The interest rate on any guaranteed loan made under this subtitle shall be such rate as may be agreed upon by the borrower and lender, but not in excess of a rate as may be determined by the Secretary.

(2) The interest rate on any loan (other than a guaranteed loan) to a low-income, limited resource borrower under this subtitle shall be the interest rate otherwise applicable under this section reduced by 3 per centum per annum.

(3) The interest rate on any loan (other than a guaranteed loan) made or insured under clause (5) of section 312(a) for activities that involve the use of prime farmland as defined in section 307(a)(6)(C) shall be the interest rate otherwise applicable under this section increased by 2 per centum per annum.

(b) Loans made under this subtitle shall be payable in not to exceed seven years. The Secretary may consolidate or reschedule outstanding loans for payment over a period not to exceed [seven] *fifteen* years from the date of such consolidation or rescheduling, and the amount of unpaid principal and interest of the prior loans so consolidated or rescheduled shall not create a new charge against any loan levels authorized by law. A new loan may be included in a consolidation. Such new loan shall be charged against any loan level authorized by law. [The interest rate] *Except as otherwise provided for farm loans under section 331A(e) of this title, the interest rate* on such consolidiated or rescheduled loans, other then guaranteed loans, may be changed by the Secretary to a rate not to exceed the rate being charged for loans made under this subtitle at the time of the consolidation or rescheduling. The interest rate on any guaranteed loan under this subtitle that may be consolidated or rescheduled for payment shall be such rate as may be agreed upon by the borrower and the lender, but not in excess of a rate as may be determined by the Secretary.

* * * * * * *

SUBTITLE D—ADMINISTRATIVE PROVISIONS

* * * * * * *

SEC. 331A. *(a)* In addition to any other authority that the Secretary may have to defer principal and interest and forego foreclosure, the Secretary may permit, at the request of the borrower, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary under this title, or under the provisions of any other law administered by the Farmers Home Administration, and may forego foreclosure of any such loan, for such period as the Secretary deems necessary upon a showing by the borrower that due to circumstances beyond the borrower's control, the borrower is temporarily unable to continue making payments of such principal and interest when due without unduly impairing the standard of living of the borrower. The Secretary may permit interest that accures during the deferral period on any loan deferred under this [section] *subsection* to bear no interest during or after such period: *Provided,* That if the security instrument securing such loan is foreclosed such interest as is included in the purchase price at such foreclosure shall become part of the principal and draw interest from the date of foreclosure at the rate prescribed by law.

(b) During the period beginning with the date of enactment of this subsection and ending September 30, 1983, the Secretary shall permit, at the request of the borrower, the deferral of principal and

interest on any outstanding loan made, insured, or held by the Secretary for farm ownership purposes under subtitle A of this title, farm operating purposes under subtitle B of this title, disaster emergency purposes under subtitle C of this title, or economic emergency purposes under the Emergency Agricultural Credit Adjustment Act of 1978, and shall forego foreclosure of any such laon during the deferral period, in both cases if the borrower can show, to the satisfaction of the Secretary, that the borrower (1) has followed good management practices, (2) due to circumstances beyond the borrower's control, is temporarily unable to continue making payment of such principal and interest when due, and (3) has a reasonable chance of repayment of the loan after the deferral of principal and interest and foregoing of foreclosure. The provisions of this subsection shall be applicable only to borrowers who own or operate family-size farms, as certified by the county committee.

(c) At the expiration of any period of deferral of principal and interest and foregoing of foreclosure by the Secretary under subsection (b) of this section, the Secretary shall make available to the borrower, at the borrower's request, procedures whereby the loan may be consolidated, rescheduled, or reamortized to provide equitable repayment terms consistent with the borrower's farm and financial situation, and any loan so consolidated, rescheduled, or reamortized shall bear interest at a rate that is the lower of (1) the rate of interest on the original loan or (2) the rate being charged by the Secretary for loans of the same type at the time of the consolidation, rescheduling, or reamortization.

(d) The Secretary shall promulgate regulations that provide (1) for notification of all farm borrowers under this title and the Emergency Agricultural Credit Adjustment Act of 1978 of the provisions of this section and all other servicing alternatives offered by the Secretary, (2) clear procedures by which farm borrowers may petition the Secretary for relief under such provisions and alternatives, and (3) for appeal within the Department of Agriculture from a decision that denies relief under such provisions and alternatives.

(e) Any farm loan, other than a guaranteed loan, deferred, consolidated, rescheduled, or reamortized under any authority of the Secretary under this title other than under subsections (b) and (c) of this section shall, notwithstanding any other provision of this title, bear interest on the balance of the original loan and for the term of the original loan at a rate that is the lower of (1) the rate of interest on the original loan or (2) the rate being charged by the Secretary for loans, other than guaranteed loans, of the same type at the time of the deferral, consolidation, rescheduling, or reamortization.

* * * * * * *

SEC. 346. Effective October 1, 1979, the aggregate principal amount of loans under the programs authorized under each subtitle of this title during each three-year period thereafter shall not exceed such amounts as may be authorized by law after the date of enactment of this section. There shall be two amounts so established for each of such programs and for any maximum levels provided in appropriation Acts for the programs authorized under this title, one against which direct and insured loans shall be charged and the other against which guaranteed loans shall be charged,

with or without authority for the Secretary to transfer amounts between such categories within a given program for more effective administration.

(b)(1) Loans for each of the fiscal years 1980, 1981, and 1982 are authorized to be insured, or made to be sold and insured, or guaranteed under the Agricultural Credit Insurance Fund as follows:

(A) real estate loans, $1,615,000,000, including $1,500,000,000 for farm ownership loans of which $1,400,000,000 may be for insured loans and $100,000,000 may be for guaranteed loans with authority to transfer 25 per centum of such amounts between categories, and $100,000,000 for water development, use, and conservation loans of which $90,000,000 may be for insured loans and $10,000,000 may be for guaranteed loans with authority to transfer 25 per centum of such amounts between categories;

(B) operating loans, $1,200,000,000 of which $1,150,000,000 may be for insured loans and $50,000,000 may be for guaranteed loans with authority to transfer 25 per centum of such amounts between categories; and

(C) emergency insured and guaranteed loans in amounts necessary to meet the needs resulting from natural disasters.

Not more than 75 per centum of the insured loans authorized for farm ownership purposes and not more than 75 per centum of the insured loans authorized for farm operating purposes may be for applicants other than low-income, limited-source borrowers.

(2) Loans for each of the fiscal years 1980, 1981, and 1982 are authorized to be insured, or made to be sold and insured, or guaranteed under the Rural Development Insurance Fund as follows:

(A) insured water and sewer facility loans, $1,000,000,000;

(B) industrial development loans, $1,500,000,000 of which $100,000,000 may be for insured loans and $1,400,000,000 may be guaranteed loans with authority to transfer amounts between categories; and

(C) insured community facility loans, $500,000,000.

(c) The Secretary shall develop long-term cost projections for loan program authorizations required under subsection (a) of this section. Each such projection shall include analyses of (1) the long-term costs of the lending levels that the Secretary requests to be authorized under subsection (a) of this section and (2) the long-term costs for increases in lending levels beyond those requested to be authorized, based on increments of $10,000,000 or such other levels as the Secretary deems appropriate. Long-term cost projections for the three-year period beginning with fiscal year 1983 and each three-year period thereafter shall be submitted to the House Committee on Agriculture, the House Committee on Appropriations, the Senate Committee on Agriculture, Nutrition, and Forestry, and the Senate Committee on Appropriations at the time the requests for authorizations for those periods are submitted to Congress. Not later than fifteen days after the date of enactment of this subsection the Secretary shall submit to such committees long-term cost projections covering authorized lending levels for the loan programs for fiscal years 1981 and 1982.

(d) Notwithstanding any contrary provisions of subsection (b) of this section, for fiscal year 1982, loans are authorized to be insured, or made to be sold and insured, as follows:

(1) From the Agricultural Credit Insurance Fund—

(A) insured real estate loans for farm ownership purposes, $700,000,000, and

(B) insured operating loans, $1,325,000,000.

Not less than 20 per centum of the insured loans authorized for farm ownership purposes and not less than 20 per centum of the insured loans authorized for farm operating purposes shall be for low-income, limited-resource applicants.

(2) From the Rural Development Insurance Fund—

(A) insured water and waste disposal loans, $300,000,000, and

(B) insured community facility loans, $130,000,000.

(e) Notwithstanding any other provision of law, there are hereby authorized to be insured, or made to be sold and insured, from the Agricultural Credit Insurance Fund during fiscal year 1983, insured operating loans in an aggregate amount of $1,660,000,000. Of that amount, $200,000,000 shall be for new borrowers. As used in the preceding sentence, the phrase "new borrowers" means agricultural producers, eligible for loans under subtitle B of this title, who did not receive any farm operating credit from the Farmers Home Administration during fiscal year 1982 or that part of fiscal year 1983 ending on the date of enactment of this subsection.

(f)(1) Notwithstanding any other provision of law, not less than 20 per centum of the loans for farm ownership purposes under subtitle A of this title, and not less than 20 per centum of the loans for farm operating purposes under subtitle B of this title, authorized to be insured, or made to be sold and insured, from the Agricultural Credit Insurance Fund during fiscal year 1983 shall be for low-income, limited-resource borrowers.

(2) The Secretary shall provide notification to all farm borrowers under this title, as soon as practicable after the date of enactment of the Emergency Agricultural Credit Act of 1983, of the provisions of this title relating to low-income, limited-resource borrowers and the procedures by which persons may apply for loans under the low-income, limited-resource borrower program.

* * * * * * *

AN ACT To amend the Consolidated Farm and Rural Development Act, provide an economic emergency loan program for farmers and ranchers, extend the Emergency Livestock Credit Act of 1974, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Credit Act of 1978".

* * * * * * *

TITLE II—EMERGENCY AGRICULTURAL CREDIT ADJUSTMENT ACT OF 1978

SHORT TITLE

SEC. 201. This title may be cited as the "Emergency Agricultural Credit Adjustment Act of 1978".

* * * * * * *

EFFECTIVE PERIOD

SEC. 211. The provisions of this title shall become effective upon enactment, and the authority to make new contracts of insurance or guarantee under this title shall terminate [September 30, 1982] *September 30, 1984: Provided,* That the Secretary may not make new contracts of insurance or guarantee under this title that will cause the total amount of money borrowed under such contracts during any fiscal year to exceed $600,000,000 , *except that, in fiscal year 1983, such $600,000,000 shall be in addition to the total amount of money borrowed under contracts of guarantee entered into under the Act of December 18, 1982 (Public Law 97-370, 96 Stat. 1799).**

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*The Act of December 18, 1982 (Public Law 97-370; 96 Stat. 1799), states, in part:

"AGRICULTURAL CREDIT INSURANCE FUND

"Loans may be insured, or made to be sold and insured, under this fund in accordance with and subject to the provisions of 7 U.S.C. 1928-1929, or guaranteed, as follows: real estate loans, $840,100,000, including not less than $775,000,000 for farm ownership loans of which $75,000,000 shall be guaranteed loans; and not less than $53,100,000 for water development, use, and conservation loans of which $6,000,000 shall be guaranteed loans; operating loans, $1,510,000,000 of which $50,000,000 shall be guaranteed loans; and emergency insured and guaranteed loans in amounts necessary to meet the needs resulting from natural disasters; *Provided,* That 20 per centum of the farm ownership loans and 20 per centum of the operating loans insured, or made to be sold and insured, under this provision may be for low-income limited resource borrowers; guaranteed economic emergency loans under the Emergency Agricultural Credit Adjustment Act of 1978, $600,000,000.

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